

Message Text

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11
ACTION NEA-10

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R 250945Z OCT 76
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC 5084
INFO AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY MANAMA
AMEMBASSY MUSCAT

C O N F I D E N T I A L ABU DHABI 2838

E.O. 11652: GDS
TAGS: BENC, BDIS, TC
SUBJ: INTERCONTINENTAL MAY GET ANOTHER CHANCE IN ABU DHABI

REFS: (A) ABU DHABI 2584, (B) ABU DHABI 2645

1. DELEGATION OF INTERCONTINENTAL HOTELS CORPORATION (IHC) OFFICIALS LED BY VICE PRESIDENT YUSIF HAROUN CALLED ON THE AMBASSADOR ON OCTOBER 24 TO REPORT USEFUL MEETINGS WHICH HAD RECENTLY TAKEN PLACE BETWEEN IHC ON THE ONE HAND AND SHAIKH SUROOR AND NASSER NUWAIS (DEPUTY OF HASSAN ABBAS ZAKI AT ABU DHABI FUND FOR ARAB ECONOMIC DEVELOPMENT) ON THE OTHER. ACCORDING TO HAROUN, SUROOR'S POSITION NOW IS THAT THERE MUST HAVE BEEN "SOME MISUNDERSTANDING" FOR IHC TO HAVE GONE SO FAR AS TO SEND LETTER NOTIFYING HIM OF ITS INTENTION TO CALL FOR ARBITRATION AT INTERNATIONAL CHAMBER OF COMMERCE IN 30 DAYS (REF B), AGAIN ACCORDING TO IHC, SUROOR CLEARLY SEEMS TO BE BACKING AWAY FROM HIS HARD-LINE POSITION OF MONTH AGO. SUROOR HOWEVER CLAIMS IT IS IHC WHICH HAS ACCEPTED HIS POSITION. IN ANY CASE, POINT IS THAT IT NOW APPEARS THERE IS GOOD CHANCE OF COMPROMISE BETWEEN THE TWO PARTIES.

2. ON IMPORTANT ISSUE OF FEES, IHC SEEMS TO BE SATISFIED WITH MUCH LESS THAN SUROOR HAD EVIDENTLY EXPECTED. ACCORDING TO CONTRACT, IHC FEES ARE TO BE 4 PERCENT OF FINAL CONFIDENTIAL

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DEFINITIVE COST ESTIMATE, BUT ACCORDING TO HAROUN, FEES BILLED SO FAR HAVE BEEN BASED ON ORIGINAL \$68 MILLION ESTIMATE NOT OF DEFINITIVE ESTIMATE WHICH HAS RISEN TO AS MUCH AS \$160 MILLION, AND THAT IN

SPITE OF IHC'S CONTRACTUAL RIGHT TO DO SO IT DID NOT
INTEND TO CLAIM FEES BASED ON THE HIGHER FIGURE.
(THOUGH THERE WAS IMPLICATION THAT NEGOTIATIONS MIGHT
SETTLE FIGURE SOMEWHERE IN BETWEEN.)

3. ON ISSUE OF DIRECT CONTROL OF CONTRACTS, IHC STILL
NOT PREPARED TO GIVE UP FINAL CONTRACTING AUTHORITY,
BUT SUROOR NOW SEEMS TO FEEL THAT ABU DHABI'S ACCESS
TO CONTRACTORS WILL BE ADEQUATE UNDER THE PRESENT
ARRANGEMENT.

4. NUWAIS TOLD HAROUN PRIVATELY THAT HE (AND PRESUMABLY
HASSAN ABBAS ZAKI AS WELL) WILL RECOMMEND TO SUROOR
THAT ABU DHABI CONTINUE THE RELATIONSHIP WITH IHC
BY BUILDING THE 700-ROOM VERSION OF THE HOTEL (BUT
POSSIBLY CUTTING OUT SOME OF THE FRILLS) AND PAYING
IHC THE \$350,000 OF MONTHLY BILLINGS WHICH ARE IN
ARREARS. THEY EXPECT TO BE ABLE TO GIVE IHC SUROOR'S
DECISION BY NOVEMBER 4.

5. ACCORDING TO HAROUN, SUROOR'S LEGAL ADVISORS ARE
OF THE OPINION
THAT ABU DHABI WON'T HAVE A LEG TO
STAND ON IF DISPUTE GOES TO ARBITRATION. HAROUN
BELIEVES THIS IS MAIN FACTOR BEHIND SUROOR'S BACKING
AWAY FROM HARD-LINE STANCE OF MONTH AGO.
DICKMAN

CONFIDENTIAL

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